

Understanding
Your Fairfax County
Retirement Benefit

FCERS Employees

Presented by

Fairfax County Retirement Agency

10680 Main Street, Suite 280, Fairfax, VA 22030

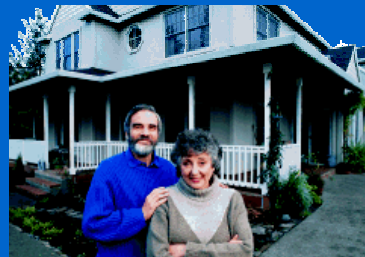
703-279-8200

www.fairfaxcounty.gov/retbrd/

April 2005

Members of FCERS

- **Food Service employees** (scheduled work hours of 15+)
- **Transportation (including bus drivers)**
- **Part-time teachers and support staff**
- **Crossing guards and clinic room aides**
- **Custodial**
- **Building Maintenance**



Please Note: Full time teachers and full-time administrative staff are typically members of VRS (Virginia Retirement System) and ERFC – NOT FCERS

Retirement Income

- **Pension** *from Fairfax County Employees' Retirement System (FCERS)*
- **Savings** *(403b and other)*
- **Social Security**



Fairfax County Retirement Systems

FCERS is a Defined Benefit Plan

unlike a Defined Contribution Plan because

- **It Pays for Life**
- **Benefit calculated using a pre- determined formula**
- **Annual COLA —** effective July 1

Equal to the Consumer Price Index (CPI-U) increase for Washington-Baltimore, DC-MD-VA-WV area as of March 31 each year - up to 4%



Contributions

- Participation in the System is Mandatory
- You **cannot** change plans, borrow from, stop or withdraw pre-tax contributions
- 5% interest is paid annually until five years after termination
- County's contribution rate varies
(As of July 1, 2004 - 8.08%)

Contributions

- If you participate in PLAN A, your contribution is:
 - ✓ 4% of your salary
- If you participate in PLAN B, your contribution is:
 - ✓ $5\frac{1}{3}$ % of your salary



Retirement Eligibility

- **Regular Service Retirement**

- ✓ **Eligibility Service** plus age **must equal “Rule of 80”**

- Age 50 or older and age + service must total 80 or more **OR**

- ✓ Age 65 with 5+ years of service



- **Early Service Retirement**

- ✓ **Eligibility Service** plus age **must equal “Rule of 75”**

- Age 50 or older and age + service must total 75 or more
- No Pre-Social Security Benefit payable
- Benefits will be reduced based on age at retirement

- **Vested Retirement**

- ✓ Must have 5 or more years of service - Benefits begin at age 65

Deferred Vested Benefit

- A member who terminates employment with at least 5 years of eligible service, but before normal or early retirement eligibility -

- ✓ Member may leave his or her contributions and any accumulated interest in the Retirement System and apply for what is called a Vested retirement benefit at age 65

- ✓ Pre-Social Security Benefit is not payable

or

- ✓ Member may withdraw or transfer his or her contributions and any accumulated interest from the Retirement Plan – thus waiving their right to a Vested benefit at age 65

Disability Retirement

- If a member becomes disabled, the FCERS Board of Trustees determines whether the member meets requirements for disability retirement and if so, whether situation is service-connected or ordinary.
- If member is disabled but cause is not job-related, benefits payable are the same as Plan B, except no Pre-Social Security benefit is payable.
- If member's disability is due to a job-related illness or injury.
 - ✓ Member must apply for Workers' Compensation (WC) and Social Security (SS) benefits
 - ✓ FCERS benefit totals $66\frac{2}{3}$ of Average Final Compensation (tax-free) less any WC or SS benefits

Normal Retirement

Benefit may consist of two elements

- **Base Benefit**
 - ✓ Applicable to Joint and Last Survivor (J&LS) Option
 - ✓ Receives Cost-of-living adjustments (COLAs)
- **Pre-Social Security Benefit** (if applicable)
 - ✓ Is not part of J&LS calculation
 - ✓ Does not receive COLAs
 - ✓ Terminates at age 65-67 – depending upon year of birth

Age for Full Social Security Benefits

Year of Birth	Year You Will Turn 62	Your Age for Full Benefits
1937 or earlier	1999 or earlier	65 years
1938	2000	65 years, 2 months
1939	2001	65 years, 4 months
1940	2002	65 years, 6 months
1941	2003	65 years, 8 months
1942	2004	65 years, 10 months
1943 - 1954	2005 - 2016	66 years
1955	2017	66 years, 2 months
1956	2018	66 years, 4 months
1957	2019	66 years, 6 months
1958	2020	66 years, 8 months
1959	2021	66 years, 10 months
1960 or later	2022 or later	67 years

Some Common Questions

Tips from Tushar

Tushar Gadre,
Retirement Counselor

Terms

- **AFC (Average Final Compensation) –**
AFC is the average of your highest 36 consecutive months of employment (*78 consecutive pay periods for those paid bi-weekly*) –
AFC does not include overtime pay
- **Eligibility Service –** School employees receive one year of eligibility service for each full school year (Sept – June) that is worked. No extra credit is granted for summer school employment.
- **Benefit Service –** the time used to determine the amount of benefits received – generally based on 40 hours per week, 12 months per year

Benefit Formulas

Plan A

$$\begin{array}{rclcl} 1.8\% & \times & \text{Average Final Compensation} & \times & \text{Benefit Service} \\ & & \text{up to Social Security Breakpoint} & & \\ & & \text{PLUS} & & \\ 2.0\% & \times & \text{Average Final Compensation} & \times & \text{Benefit Service} \\ & & \text{over Social Security Breakpoint} & & \end{array}$$

Plan B

$$2.0\% \times \text{Average Final Compensation} \times \text{Benefit Service}$$

Each total is then increased by 3%

Full-Time Example #1 – Plan A

AGE	BORN	AFC	BREAKPOINT	SERVICE
56	1949	\$30,000	\$67,020 n/a	24

8 Hours a Day ♦ 12 months a year ♦ Benefit Service = 24 years

$$\begin{array}{rcccl} & & \text{Average Final} & & \text{Benefit} \\ & & \text{Compensation} & & \text{Service} \\ 1.8\% & \times & \$30,000 & \times & 24 = \$12,960 \end{array}$$

$$\$12,960 \times 1.03 = \underline{\$13,349} \text{ Annual Base Benefit}$$

\$1,112 monthly benefit

Full-Time Example #2 – Plan B

AGE	BORN	AFC	BREAKPOINT	SERVICE
56	1949	\$30,000	\$67,020 n/a	24

8 Hours a Day ♦ 12 months a year ♦ Benefit Service = 24 years

$$\begin{array}{rcccl} & & \text{Average Final} & & \text{Benefit} \\ & & \text{Compensation} & & \text{Service} \\ 2.0\% & \times & \$30,000 & \times & 24 = \$14,400 \end{array}$$

$$\$14,400 \times 1.03 = \underline{\$14,832} \text{ Annual Base Benefit}$$

\$1,236 monthly benefit

(higher income example)

Full-Time Example #3 – Plan A

AGE	BORN	AFC	BREAKPOINT	SERVICE
61	1944	\$59,000	\$57,276	24

$$\begin{array}{rcl}
 \text{Average Final Compensation (AFC)} & & \text{Benefit Service} \\
 \text{up to Social Security Breakpoint} & & \\
 1.8\% \quad \times \quad \$57,276 \quad \times \quad 24 & = & \$24,743 \\
 \text{PLUS} \\
 \text{Average Final Compensation (AFC)} & & \text{Benefit Service} \\
 \text{over the Social Security} & & \\
 \text{Breakpoint } (\$59,000 - \$57,276) & & \\
 2.0\% \quad \times \quad \$1,724 \quad \times \quad 24 & = & \$828 \\
 & & \hline
 & & \$25,571
 \end{array}$$

$$\$25,571 \times 1.03 = \$26,338 \text{ Annual Base Benefit}$$

\$2,194.84 monthly benefit

Calculated the same for both Plan A and Plan B

Pre-Social Security Benefit

AGE	BORN	AFC	BREAKPOINT	SERVICE
56	1949	\$30,000	\$67,020 n/a	24

$$1.0\% \times \text{AFC up to SS Breakpoint} \times \text{Benefit Service}$$

$$\begin{array}{rcl}
 \text{Average Final Compensation} & & \text{Benefit Service} \\
 1.0\% \quad \times \quad \$30,000 \quad \times \quad 24 & = & \$7,200
 \end{array}$$

$$\$7,200 \times 1.03 = \$7,416 \text{ Annual Base Benefit}$$

\$618 monthly benefit (until age 66)

Total Benefit Picture

Based on previous Plan B, full-time example

Base Benefit	\$14,832
Pre-Social Security Benefit*	\$ 7,416
Total Annual Benefit to age 66	\$22,248

\$1,854 each month to age 66

\$1,236 each month plus COLAs thereafter



Part-Time Service

and less than 12 month employment

chrisisms

Chris Colandene,
Manager, Membership Services

Benefit Service Variables

- **Part-Time Service –**
 - ✓ Your benefit is based on the number of hours worked in the course of a year
 - ❖ 2,080 hours = one year of benefit service
 - ❖ 1,560 hours = .75 of one year of benefit service
 - ❖ 1,040 hours = .5 (or half) of one year of benefit service
- **Transportation Employees –**
 - ✓ 10-month contracts or other variables
 - ✓ Summer school in addition to contract
- **Food Service Employees -**
 - ✓ Less than 40-hour work week

Calculating Benefit Service

- **This process is not so hard - it just takes time**
 - ✓ That's why it takes time for our counselors to calculate a Benefit Estimate for you when you are within one year of retirement eligibility
 - ✓ You can calculate your own approximate benefit by determining how many retirement-eligible hours you have worked in your career. That benefit service, multiplied by your average final compensation (AFC), multiplied by either 1.8% or 2% (depending on your Plan – A or B) will give you a good approximation of your annual benefit

Remember, eligibility to retire is based on years worked, whether they are 30-hour weeks, 10-month contracts or some other variable – it's your benefit eligibility (\$\$) that is affected by working fewer than 2,080 hours per year.

Part-Time Example #1 - Plan A

AGE	BORN	AFC	BREAKPOINT	SERVICE
56	1949	\$30,000*	\$67,020 n/a	24

*AFC is Annualized

4 Hours a Day ♦ 12 months a year ♦ Benefit Service = 12 years

$$\begin{array}{rcccl} & & \text{Average Final} & & \text{Benefit} \\ & & \text{Compensation} & & \text{Service} \\ 1.8\% & \times & \$30,000 & \times & 12 = \$6,480 \end{array}$$

$$\$6,480 \times 1.03 = \underline{\$6,674} \text{ Annual Base Benefit}$$

\$556.16 monthly benefit

Part-Time Example #2 - Plan A

AGE	BORN	AFC	BREAKPOINT	SERVICE
56	1949	\$30,000*	\$67,020 n/a	24

*AFC is Annualized

6 Hours a Day ♦ 12 months a year ♦ Benefit Service = 18 years

$$\begin{array}{rcccl} & & \text{Average Final} & & \text{Benefit} \\ & & \text{Compensation} & & \text{Service} \\ 1.8\% & \times & \$30,000 & \times & 18 = \$9,720 \end{array}$$

$$\$9,720 \times 1.03 = \underline{\$10,012} \text{ Annual Base Benefit}$$

\$834.33 monthly benefit

Retirement Benefit Wrap-up

- Joint and Last Survivor Information
 - Beneficiaries
 - Retirement Counseling
-

Carol Patterson,
Information Officer

Survivor Benefits (Active Employees)

- If you die while on the active payroll and your spouse is your designated beneficiary, your spouse may elect to receive $\frac{1}{2}$ of your retirement benefit earned as of your date of death or receive a one-time lump sum refund/direct rollover of your contributions and interest.
- If your beneficiary is not your spouse, your beneficiary will receive a lump sum refund of your contributions and interest.

Survivor Benefits (Retirees)

- You may elect a Joint or Last Survivor Option at retirement.
- You will receive a reduced retirement benefit. After your death, your surviving spouse will receive 50%, 66²/₃%, 75% or 100% of your reduced benefit for life (based on your election).
- If your spouse should die before you, your benefit will be increased to an amount equal to the monthly benefit you would have received if you had not elected the optional spouse's benefit.

Beneficiary Information

- Keep your beneficiary information current with our Agency at all times
- Any change of life situation warrants a review
- Regardless of circumstances, person(s) listed on your beneficiary card will receive your contributions in the event of your death
- Can be changed at any time
- Does not affect any of your other beneficiary elections (i.e. life insurance)



Retirement Counseling

- Retirement Counseling is available for employees who are eligible to retire within a year
- Retirement Counselors –

Tushar Gadre	703-279-8214
Larry Little	703-279-8213
John Prather	703-279-8212
Susan Troup	703-279-8209

Separation from Employment

- Prior to Retirement, if an employee terminates or passes away
 - ✓ Refunds are paid 60 – 90 days after resignation or death
 - ✓ Refunds are subject to income tax (24%)
 - ✓ Refunds prior to age 59½ are subject to 10% IRS penalty
 - ✓ Direct Transfers to an IRA are not taxed and do not incur a penalty

Are you close to retiring?

Tips from Tushar

Tushar Gadre,
Retirement Counselor

Documents Needed to Retire

- Retirement Application
- Completed Direct Deposit Form
- Completed Tax Forms
- Authorized Deduction Form
- Proof of Birth for you
- Proof of Birth for Spouse *(if married)*
- Proof of Marriage *(if applicable)*



Monthly Retirement Benefit

Retirement benefits are deposited in your financial institution account on the last business day of each month – pay advices are mailed to your address of record.

The following deductions may be taken:

- Federal Tax
- Virginia State Tax
- Life Insurance
- Credit Union Payments
- Spousal/child support/tax levy
- Health & Dental Insurance Premiums



Things to consider when picking a retirement date

- Salary Increases
- Income Taxes
- COLAs
- Leave Payout

There is a “Tip Sheet” on the Retirement Agency website that gives a bit of additional information on each of these points

www.fairfaxcounty.gov/retbrd/consider.pdf



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What about other Benefits?

Tips from Benefits

Benefits Specialist
FCPS

...

...

Your HR Benefits at Retirement

Benefit options you may choose to continue in retirement:

- *Health and dental coverage for you and your dependents*
- *Optional life insurance*
- *Long-term care insurance*

Benefits that end at retirement:

- *Flexible spending account*
 - *403(b) and 457(b)*
 - *Disability and leaves of absence*
- ...

Health Benefit Options in Retirement

- Members opting for health or dental coverage in retirement pay the full insurance premium
- Spouse may continue coverage if member dies
- Member may cancel coverage or drop a dependent from coverage at any time
- In the event of a qualified status change, member has 30 days to change enrollment status
- Insurance costs are automatically deducted from the member's retirement check *if* monthly annuity payments are sufficient to cover the premium

Health Subsidy in Retirement

Subsidy is based on number of years of service at retirement

	Age 55-65 Monthly Subsidy Amount	After Age 65
5 - 9 years of service	\$ 25	\$ 15
10 – 14 years	\$ 50	\$ 25
15 – 19 years	\$125	\$100
20 – 24 years	\$150	\$150
25 or more years	\$175	\$175

Important Matters of Age in Retirement

- Under age 65
 - ✓ No difference in coverage as an employee
 - ✓ Kaiser members *must* live in service area
- At age 65
 - ✓ Eligible for Medicare
 - ✓ FCPS plans require enrollment in Part A and Part B
 - ✓ Medicare is primary, FCPS medical plan is secondary
- FCPS employees age 65 or older
 - ✓ FCPS medical plan is primary
 - ✓ Part B unnecessary for employees
 - ✓ Waiver of premium form / Part B required *before* member retires
 - ✓ Summer Fund members retiring June 30th continue employee coverage through August, *however* Medicare becomes the primary insurer on July 1st

For answers to Retirement Questions, visit

www.fairfaxcounty.gov/retbrd

or call 703-279-8200



**For answers
to Benefit-Related
Questions
(Health, Dental, Life)
call
703-750-8465**

How Can We Help?



QUESTIONS
&
ANSWERS ? ? ?